

NEWS RELEASE

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DeNUCCI SAYS LACK OF CONTROLS LED TO ABUSES AT COSMETOLOGY BOARD

State Auditor Joe DeNucci reported today that mismanagement at the Board of Registration of Cosmetology resulted in a number of abuses, including the falsifying of records and the fraudulent sale of cosmetology licenses.

DeNucci's report stated that the Cosmetology Board, which regulates hairdressers, manicurists, salons and cosmetology schools, had inadequate internal controls over its employees' access to the Board's licensing database. In addition, the Board lacked supporting documentation in its license application files.

According to the audit, this lack of controls enabled a former employee to create 39 fraudulent licenses by altering names on forfeited licenses and writing in another purported licensee's name. This information was then entered into the agency's computer database without proper supervision or approval. The database only displayed the most up-to-date records and did not provide information for name changes on licenses. Moreover, the audit found a number of changed licenses without any indication of who prepared or approved the changes.

The former employee was subsequently indicted, pleaded guilty to 11 charges and was sentenced to one year in the house of correction and fined \$12,500.

DeNucci's audit disclosed these additional deficiencies at the Board of Registration:

- The agency's Office of Investigations failed to conduct inspections in a timely or consistent manner. As a result, salons were found to be operating without a license and investigations took as long as 645 days to complete.
- The private company hired to administer license exams illegally shredded 10,300 applications during a four-year period, contrary to state records retention laws.

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- The Board was unable to document that all cosmetology schools had adequate surety bond coverage to cover the cost of students' tuition in the event that the school defaulted on its obligation to provide the cosmetology programs.
- As of April, the Board had gone for a year with only six members, despite a state law requiring it to be overseen by a seven-member board appointed by the governor.
- Contrary to the state's Internal Controls Law which requires suspected thefts or other variances to be reported immediately to the Office of the State Auditor, the Board did not report the fraudulent sale of licenses to DeNucci's office for seven months after becoming aware of it.

Although the Board has improved its controls over the issuance of licenses since the fraudulent activity occurred, DeNucci said further controls are needed to strengthen security over license changes in the agency's computer system.

"The Board of Registration must adhere to sound accounting principles, such as the segregation of duties, in order to be reasonably assured that it can prevent a recurrence of these abuses," said DeNucci.

